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Harvesting sugarbeets, France

U.K. Farm Policies

World Potato Plantings May Rise

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Britain's changing farm policies

U.K.-EC Farm Policy Ties Grow But Anti-EC Feelings Linger

On March 8, U.K. Minister of Agriculture Frederick Peart made the traditional announcement of the Government's Annual Review and Determination of Guarantees. But where this statement of forthcoming farm prices and programs once took on the aura of a near-religious ritual, now it was no more than part of Peart's report on agricultural proposals of the European Community.

Such is the changed state of British agriculture some 4 years since the United Kingdom joined the European Community. With only 1 year left in its transition to full EC membership, the United Kingdom already has seen most of its farm policymaking power shift across the English Channel to the Brussels headquarters of the EC Council of Agriculture Ministers.

Not surprisingly, the controversy that previously surrounded one or more British farm programs has also shifted —to focus on the EC's Common Agricultural Policy (CAP)—with some deeply ingrained differences that seem likely to haunt British-EC relationships for years to come. A review of the dramatic change in U.K. farm policy since accession to the EC helps explain why.

THE TRADITIONAL British system of agricultural support, particularly in its heyday in the 1950's and early 1960's, was very different indeed from the CAP of the European Community.

As a preponderently industrialized, urban nation, depending on imports of raw materials and exports of manufactured goods and services, the United Kingdom had attempted to keep food prices as low as possible while fostering a liberal and unrestricted approach to international trade. Indeed, until the acute food supply problems of World War II, when the Battle of the Atlantic interrupted Britain's import trade, British agriculture had been severely neglected in favor of agricultural imports.

During the war, the need for reliable food supplies created a big recovery in British agricultural production. After the war, the Government decided, for strategic reasons, that the United Kingdom must never again become so heavily dependent on food imports.

The pre-entry program. The Agriculture Act of 1947 laid the foundation of the system of agricultural support that was to last until entry into the EC. That system encouraged greater self-sufficiency in farm products that the United Kingdom can produce—grains, beef, sheep, hogs, milk, sugarbeets, and potatoes—while leaving the door open for considerable imports from countries with lower product prices.

The support system gave British farmers a guaranteed price, generally well above the going world price. World market prices, however, were allowed to set internal U.K. prices, with the differences made up by contributions, called deficiency payments, from the Exchequer.

This guarantee-deficiency payment system was supplemented by subsidies and grants on such diverse items as fertilizers, lime, aids for drainage, machinery, farm buildings, and special payments for livestock in upland and hill areas. The disadvantage of this system was the large, unforeseeable and uncontrollable outlay of Government expenditure during periods of low world commodity prices. To lessen the problem, the Government over the years introduced a system of minimum import prices and variable levies and limited Government expenditures on deficiency payments beyond certain predetermined production or price levels.

For example, the full guarantee price on milk was only assured on a so-called "standard quantity" geared to the needs of the liquid market. All fluid milk produced over and above this standard quantity fetched only prices determined by the import prices of competing dairy products. On cattle, the system was modified so that when market prices fell below a certain level, the guarantee price was also adjusted downward, thus encouraging farmers to hold their cattle back until the mar-

Above, meat display in the window of a London butcher. Left, dairy cattle laze as a milk transport picks up milk cans from the farm. U.K. policymakers, who had hoped the country would benefit from EC membership, recently have been distressed over EC dairy policies.

ket was less well supplied.

Over the years, the system had many critics, at times none more vociferous than farmers themselves who resented the Treasury hold on the purse strings. Criticism was also voiced from time to time by those claiming that British consumers were being artificially shielded from paying the true cost of producing food domestically and thus were being led to think they had a right to cheap food in perpetuity. (This expectation lies behind much of the most bitter British criticism of the EC.)

The support system did, however, keep U.K. prices of most basic foods lower than in almost any other developed industrial country. And, unlike the EC policies, it never led to any problems of overproduction or surpluses.

The transition process. To date, the only truly common part of the European Community is the CAP, which is based on a very different set of premises than Britain's traditional agricultural system. It is geared to the fact that agriculture in most EC countries—both in terms of the number of persons engaged in it and its contribution to the GNP—is much more important than in the United Kingdom.

Moreover, most of the original EC members have a long tradition of protectionism, while the United Kingdom, during its colonial period, had access to an abundance of cheap food. Of course, some of the original six members of the EC—notably France, Belgium, and the Netherlands—also were significant colonial powers in the past. But their empires were mainly in the tropical regions and thus incapable of growing the same farm products as produced in the "home" countries.

In the "Six," the consumer for many years paid the true cost for food produced domestically, while the farmers were encouraged, via protection from cheaper imports, to work toward national self-sufficiency. Thus, it was natural that the CAP should concentrate on raising still further the EC's farm production and its level of self-sufficiency.

NOR WAS it surprising that the CAP became a major stumbling block when the United Kingdom entered the EC. Negotiations between the EC applicants—the United Kingdom, Ireland, and Denmark—recognized that a transition period would be needed. Consequently, a transitional process was provided for in the Treaty of Accession: the British support system would gradually align with the CAP and with the EC's much more protective agricultural import regime. During this transitional process, intervention prices —the foundation of the EC's price support system—were to operate in the United Kingdom at levels generally below British guarantee prices, which were to be continued for a short time while U.K. intervention, gate, and other prices rose to EC levels.

At the same time special subsidies called "accession compensatory amounts" would soften the impact of higher prices for U.K. imports of commodities subject to the CAP and products from other EC members. On commodities not covered by the CAP, but for which EC levies were higher, the United Kingdom was to progressively raise its duties on imports from third countries and to lower duties on those from the remainder of the EC until the latter fell to nil by the end of transition. This year marks the watershed at which the CAP has now become a more dominant factor in U.K. agriculture than the traditional system.

Initially, even British farmers were generally in favor of the transitional process. While looking enviously at the high prices earned by grain growers in the original "Six," they were nervous about the relatively lower prices' impact in the livestock industry, which accounts for two-thirds of the value of British agricultural output. There was also considerable apprehension in Britain's horticultural industry—where price protection is generally higher than in the rest of the EC—about being fully exposed to competition from EC-grown fruits and vegetables.

The first 2 years of transition, however, coincided with the world commodity price boom and the effects of the energy crisis. British farmers found that their costs of production—particularly for feed, fuel, and fertilizers—were rising at a rapid rate quite independent of the effects of EC membership.

Meanwhile, the British livestock industry, which earlier had launched an expansion program, found the fruits of this program coming just as production costs reached their high point. This led to a much different situation from that anticipated when transition was arranged.

WHILE PRICES for British livestock and meat products had been expected to hold at levels moderately below EC prices, the production glut caused them to fall. On the other hand, the expectation that the U.K. feed costs would be well below EC levels was totally disproved by the price explosion on world grain and feed markets.

The then-new Minister of Agriculture, Frederick Peart, had been a leading critic of the EC system of farm support. Prior to British entry into the EC, he repeatedly attacked the CAP as the cause of high food prices, disruption in international farm trade, and the buildup in EC surplus stocks of farm products. "Beef is for eating, not stockpiling," was one of his most famous and often-quoted sayings.

Thus, the new Government decided that it would not implement the EC intervention buying of beef because of its high cost. But since the Government was also bound for a time to its predecessor's Annual Review decisions, which included the ending of the beef guarantee premiums system, the country was left without any support system for beef. This was to lead to disastrous results later in 1974, when plummeting beef prices and rising feed costs caught farmers in a severe cost-price squeeze.

There was little the new Government could do, however, to stem the tide of mounting costs. British farmers began to rue the day they had advocated a transition period, and the powerful National Farmers Union (NFU) soon was calling for full implementation of the CAP in the United Kingdom.

The inflationary pressures of the early 1970's once more brought into focus Britain's chronic balance of payments problem, aggravated by its heavy dependence on imported food and feed. For many years, the NFU and others had urged an expansion program for British agriculture, which they said could contribute materially to import savings.

These pressures increased in intensity in the face of the world commodity price explosion, and in 1975 the Government itself produced a White Paper, *Food From Our Own Resources,* that contained several proposals aimed at making the United Kingdom less dependent on farm imports. (See the November 17, 1975, issue of *Foreign Agriculture.*)

During this time, the Labor Government also decided to honor one of its election promises: to hold a referendum on whether the United Kingdom should remain in the EC.

In the early days of the referendum campaign, the outcome seemed far from clear cut. On the side of the anti-EC lobby was the strongly held belief that the CAP was a high-food-price mechanism leading to overproduction of unmanageable and expensive surpluses. On the other hand, the majority of the Cabinet, including the Minister of Agriculture, had come around to the view that staying in the EC was the least unfavorable course open to Britain in its weak economic position.

The Government therefore decided to embark upon what it called the "renegotiation" of the CAP. Much was staked on this renegotiation process, and in the early stages the British appeared to be making real headway. The tactic adopted was to seek piecemeal concessions on various commodities, giving exemption to the United Kingdom from the full rigors of the CAP, rather than to attack head on the CAP's fundamental philosophies.

Among the prereferendum successes was permission to use a modified deficiency payments scheme for beef as an alternative to intervention. Under this, a seasonal scale of target prices for fat cattle was established, and premium payments (deficiency payments under another name) were payable when U.K. market prices for fat cattle fell below the target prices.

Another concession was a butter subsidy that cushioned the British consumer, long accustomed to eating large quantities of probably the cheapest butter in the world, from the impact of the much higher EC butter price. Community funds were to be used to help pay for both the beef premiums and the butter subsidy.

The British hailed the EC's agreement to these concessions as a major breakthrough in restructuring the CAP. They claimed that once Britain's EC partners saw that the beef premium scheme gave farmers an adequate support system—while avoiding surpluses and keeping consumer meat prices low—they might amend other parts of the CAP on an EC-wide basis.

In turn, the butter subsidy was soon seen by the remainder of the Community as an opportunity to unload the EC's surplus intervention stocks of butter onto a ready-made and willing market. What did not seem to be realized in the United Kingdom was that the subsidy in a way was strengthening the EC's butter intervention system by helping solve the surplus problem.

The referendum, when it came in June 1975, resulted in a surprising two-thirds affirmative vote for continuing membership in the EC. Support was particularly strong in farming areas, but even in the most industrialized and urban regions there was a large "yes" vote. The Government's claim of success in the CAP renegotiation undoubtedly had a significant influence on the outcome.

But following the referendum, the much vaunted CAP renegotiation period came to an end and with it the dreams of a fundamental restructuring of the CAP under Britain's leadership. With Britain now formally committed to remaining in the EC—and in a weak economic position with one of the worst inflation rates in Europe—other EC members began to show increasing dissatisfaction with British aims.

BY THE end of the year, further steps in CAP renegotiation were obviously pointless, and pressures were being exerted to make the United Kingdom give up some of the concessions won during the prereferendum period. Most significantly, it became apparent that the remainder of the Community and the Commission wanted Britain to abandon beef premiums and rely fully on intervention.

One factor that has helped cushion the U.K. farmer and consumer from the full effects of the CAP is the steady downward drift of the value of sterling, which has floated independently of the "snake" operated by EC countries with

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EC's 1976 Farm Programs Cause Controversy in Britain

BRITISH ANGER over farm policies of the European Community—a nagging problem since the United Kingdom joined the EC 4 years ago—has flared up once again as a result of some controversial programs conceived by the EC leaders at Brussels. However, most of the outrage is among British consumers and livestock producers, while other areas of U.K. agriculture are expected to benefit from the combined impact of higher prices and fairly good farm conditions thus far in 1976.

Especially irksome to the British is the program to put 400,000 tons of the EC's nonfat dry milk (NFDM) surplus into livestock feed this year, with the consequent likelihood of higher feed costs and steeper prices for livestock products. The British are also upset by the more subtle threats to their dairy industry from continental EC's dairy surplus, and by their diminished clout in EC policymaking now that they are firmly committed to staying in the Community. (See previous article.)

These and other differences came to a head after Agricultural Minister Frederick Peart gave his March 8 report to the House of Commons on EC farm prices and programs for 1976/77. At that time, he also reported on the United Kingdom's Annual Review of farm prices and grants, whose importance has been sharply diminished now that it applies only to a few areas where the United Kingdom still has some autonomy.

Prior to the opening of the 1976 EC farm price review, British farmers were in the forefront of those complaining bitterly that the EC Commission's proposed 7½ percent increase in average price supports was totally insufficient. These fears were eased by the ultimate increase of 14½ percent in the average guaranteed price as a result of the combined effects of EC and U.K. programs. (Particularly large increases were granted for three products not covered by the EC's Common Agricultural Policy (CAP) — sheep, wool, and potatoes.)

In addition, increases have been made in certain grants and subsidies, and the Government has promised to continue some of these—particularly in the livestock sector—during the remaining year left of its transition to full EC membership.

The measures for 1976/77 (year beginning April 1) include, in brief:

- A 16 percent boost in the U.K. guarantee price for milk, which will apply to 3,050 million gallons, or probably all milk sold off farms in 1976/77.
- Increased EC financing for subsidies on Community butter sold in the United Kingdom but cessation of assistance on subsidies for non-EC butter.
- The EC's new NFDM disposal program that requires purchases of certain amounts of nonfat dry milk before other high-protein feed ingredients may be bought. The program is enforced by surety deposits of up to $33 per ton of feed ingredients, to be refunded after the NFDM has been purchased. That requirement went into effect March 19, while the program as a whole is tentatively scheduled to apply through October 1976. (See the April 26 issue of *Foreign Agriculture*.)
- Continuation of the special U.K. beef premiums that boost guarantee prices during slack marketing periods —plus a 15 percent increase in the average target price over the 1975/76 level.
- Application of EC intervention prices to U.K. grain beginning August 1, with increases from last year's intervention prices for milling wheat and barley;
- An 8 percent hike in prices for sugarbeets;
- An 18 percent increase in the guarantee price for sheep and 22½ percent in that for wool, and extension into 1977 of the subsidies for sheep and beef cows produced on U.K. hill farms.
- A 43 percent increase in the guarantee price for potatoes in response to the short crop of last year; and
- An additional £30 million per year in grants for silos, milk buildings and equipment, cattle accommodations, hay barn ventilation systems, fencing, reseeding, and land reclamation.

Top, a farm scene in Wales, and, above, grading and packing U.K. cucumbers. British farmers are showing a mixed reaction to EC farm programs for 1976/77.

While some of these programs failed to allay British farmers' concern about keeping up with the rapid rate of inflation, the most vehement criticism focused on two main points—EC surpluses and the effect of EC programs on British food prices. And the EC program to feed nonfat dry milk surpluses to livestock received the brunt of the attack, since it touches on both the fear of higher prices and the British outrage over surpluses.

IN THE House of Commons, criticism of NFDM incorporation and concern over the general surplus question came from a wide spectrum of members. John Davies, a leader of the pro-EC faction and a Cabinet Minister when the United Kingdom was deeply involved in negotiating entry into the EC, said, "The balance of judgment reached in the Council of Ministers' meeting is one which pays too much regard to the surplus producers in the Community and too little to countries such as Britain who are the customers of these surpluses."

Francis Pym, agricultural spokesman of the Conservative Party, stated that the nonfat proposal "is likely to prove unfair to pig and poultry producers and could conceivably affect the price of pigs by 10 pence per score (20 lbs)," adding that this is an "avoidable increase."

Reflecting the dissatisfaction, Conservatives, Liberals, and Labour left-wingers on March 10 launched a combined attack on the EC draft directives on the NFDM surplus. The Government consequently withdrew its motion "taking note" of the directives and accepting the Conservative amendment "to disapprove" of them. While this will not prevent application of the NFDM scheme in the United Kingdom, it does illustrate deep resentment against the program.

Since then, objections have continued unabated, with claims that the scheme is illegal under British law and talk of court action to stop its operation in the United Kingdom. While the NFDM scheme is unpopular among the British because of its portent of higher costs, it also touches on British fears that the U.K. dairy industry will be caught up in problems caused by other EC members. For instance, Neil Marten, a conservative anti-EC member, queried, "Will not this Review increase the skimmed milk mountain? What is it costing the British people? They did not create any of it."

British farmers and Government officials alike feel that the U.K. dairy industry is the agricultural sector best equipped to compete with the remainder of the Community. As a result, the dairy industry is earmarked to make a greater contribution to U.K. self-sufficiency than at present.

Yet it is precisely in this area where the EC as a whole has its most serious surplus problem—the EC's nonfat dry milk mountain is already at about 1.2 million tons and threatening to reach 1.4 million by year's end, while cheese and butter stocks also are building.

The fear is that the Community may eventually try to limit expansion in British dairy production to protect other members' dairy exports to the United Kingdom—now their only sizable outlet. Should this happen, British action could be even more vehement than the currently strong protests over EC policies.

Already, there are signs that the United Kingdom is moving toward greater self-sufficiency in dairy products. A mild winter has boosted production this season, with the result that increasing quantities of NFDM have been going into British intervention stocks. In the first 2 months of 1976, for instance 12,100 tons went into intervention compared with only 1,300 in the same period of 1975 and 28,200 in the whole of 1975.

Elsewhere in the dairy sector, criticism has been directed at the EC's withdrawal of funding for subsidies on butter imported from non-EC members, and at the rise in butter and cheese prices under transitional arrangements with the EC. Butter is going up at retail by 8 pence per pound, although only 2 pence of this is the direct result of the EC farm price decision. Cheese prices will rise by around 5 pence per pound. These increases will coincide with sharp reductions in U.K. subsidies on food prices as part of the Government's current economy program.

Agricultural Minister Peart assured Commons that the higher milk support level, which will boost prices to 43 pence per imperial gallon, will not cause any immediate increase in retail milk prices. It is, however, widely accepted that the price will rise by 1 penny per pint toward the end of 1976.

Peart pointed to the milk guarantee decision as an example of "the continuing priority which we give to economic milk production in the United Kingdom while exercising restraint on the full level of Community prices." The Milk Marketing Board, on the other hand, claimed that even with the 16 percent rise in the milk price U.K. farmers will be receiving less than the EC target price.

Still, it is generally felt that the increase will encourage continued recovery in British milk production.

Peart's major quest in the Brussels negotiations over EC programs had been retention of the U.K. beef premiums, which he was successful in doing. Under the program for 1976/77, the beef target price between March 15 and April 4 was £26.30, rising in steps to £27.30 in May, falling progressively to £25.30 in the normal peak marketing period of September-October, and rising again in steps to £28.00 between mid-February and mid-March 1977.

To discourage a buildup of intervention stocks of beef, however, no more than £2.88 per live hundredweight can be paid in any one week. Intervention buying could still take place if cattle prices dip to around £22.40 per hundredweight during the fall although the country's shorter supplies of beef this year may prevent this from happening.

Said Peart about the guarantees, "For beef I have achieved my major objective . . . the premiums are being continued so that, when beef is plentiful, the U.K. consumer will get it more cheaply than with a system of intervention only."

Among others, the reaction was not so favorable, with a general feeling that Peart's personal and political stake in retaining beef premiums had been exploited by the rest of the EC to force him to accept the NFDM scheme.

EXCEPT FOR the NFDM scheme, which it too opposes, the U.K. National Farmers Union (NFU) strongly attacked "the hysterical reaction and opposition to these price increases by certain sectors." It added that, "Wage and salary earners who constitute the consumers of this country cannot expect the price of food to be held when only recently their incomes were increasing at an annual rate of 30 percent and more."

The NFU also said the 14½ percent rise in average farm prices, against cost increases of 11 percent, was a belated attempt to rectify the severe

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Implications For the United States Of Soviet 5-Year Plan

EARLIER THIS YEAR, the Soviet Union published a draft of its 10th 5-year plan covering the years 1976-80. During 1976, the Soviet Government and Communist Party officials will continue to work on the draft plan. Toward the end of the year, the new 5-year economic plan will be finalized.

Despite its tentative nature, the draft plan provides insights into Soviet thinking regarding economic policy for the remaining years of this decade. The new Soviet economic plan is important to American agriculture—primarily because the USSR has emerged as a major export market for U.S. grain. This occurred entirely during the period of the past 5-year plan.

American agriculture first gained access to the Soviet market in the summer of 1971. Since then, the United States has sold the USSR $4.2 billion worth of U.S. agricultural products—including more than 45 million metric tons of grain.

During the past 5 crop years—1971 through 1975—the Soviet Union has taken more than 13 percent of all U.S. grain exports. During this period, only Japan and the nine-nation European Community have imported more U.S. grain than the USSR.

It is apparent, therefore, that continuation of the USSR as a major export market is important to American agriculture, particularly if U.S. farmers are going to continue to operate American agriculture at full capacity.

The USSR emerged as a large market for U.S. grain during the past 5 years. This occurred primarily because of severe shortfalls in Soviet grain production—particularly in 1972 and 1975—and the Government's emphasis on livestock production and greater food availability for Soviet consumers in the ninth 5-year economic plan spanning the period 1971-75.

Soviet grain production during 1971-75 fell short of the 5-year goal by 67.5 million tons, or an average of 13.5 million tons a year. USSR grain imports—on a gross basis—during the 5 marketing years corresponding to the 1971-75-plan total about 70 million tons, or an average of 14 million tons per year.

Net imports—gross imports less exports—during 1971-75 total 45 million tons, or an annual average of 9 million tons. The USSR's grain exports during this period were limited to other Communist countries. Net imports of grain during 1971-75 were the same as the shortfall in Soviet Government grain procurement.

But not all of the USSR grain imports during 1971-75 were the result of shortfalls in Soviet grain production. Part of the imports were planned. The USSR generally needs, as a minimum, 3 million tons of imported wheat to satisfy quality requirements in certain areas which are far from the USSR grain producing regions—such as the Soviet Far East. The USSR also needs about 5 million tons of imported corn a year to meet feed demand in newly constructed, large-scale livestock production units.

The 5-year plan for 1971-75 placed great stress on increasing livestock production. Compared with the previous 5-year plan, the 1971-75 plan called for a 23 percent increase in USSR meat production, a 30 percent rise in egg production, and a 15 percent boost in milk production. In contrast to the goals for livestock, the 1971-75 plan called for only a 16 percent increase in grain production.

The Soviets did very well to attain their goals for livestock production during 1971-75, the exception being milk. Egg production far exceeded the goal—averaging 44 percent higher than average annual production during the 1966-70 period. Annual meat production averaged 21 percent higher, just slightly below goal. Milk production, however, averaged only 9 percent higher than during 1966-70, far short of goal.

Within the meat sector, pork and poultry were the big performers. They accounted for two-thirds of the increase in total meat production during 1971-75. Pork production was up 26 percent and poultry meat 56 percent. State, collective, and other Government farms in the socialized sector account for more than two-thirds of the meat production.

During the last 5-year plan, meat produced in this sector climbed from 65 percent in 1970 to about 69 percent in 1975. Milk production in the socialized sector—as a percentage of total production—rose from 64 to 69 percent, and egg production increased from 47 to 61 percent.

IT IS WORTH emphasizing that the big gains in livestock production in the 1971-75 period were all related to nonruminant animals. Thus, increased output was concentrated in the classes of livestock where intensive grain feeding is essential. This helps explain why annual usage of grain for livestock feeding during 1971-75 averaged 25 million tons higher than during 1966-70.

The accomplishments in Soviet livestock production during 1971-75 were remarkable by any standard. Their meaning is most apparent when a comparison is made between Soviet per capita consumption of livestock products in 1975 with that of 1970, the year immediately preceding the beginning of the 1971-75 5-year plan.

Soviet per capita consumption of meat—including animal fats other than butter—in 1975 is estimated at 128 pounds. This is 21 percent, or 22 pounds, more than the 106 pounds consumed in 1970. Per capita egg consumption is estimated at 215 in 1975, up 35 percent from 1970's. Again, the poorest showing is in milk and dairy products where per capita consumption (in milk equivalent) is estimated at 694 pounds in 1975, only 2.6 percent above 1970's.

Some people will say that a comparison between 1975 and 1970 is unfair. Meat production last year was unusually high because of the distress slaughtering program carried out in late 1975 as a result of feed shortages caused by the disastrous harvest. But the effects of the distress slaughtering on meat supplies in 1975, and its probable impact on meat production and related feed demand in 1976, may be overstated.

Soviet beef production last year was only slightly higher than in 1974 and cattle numbers at the beginning of 1976 were higher than a year earlier. The distress slaughtering program probably also had little impact on poultry meat production

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Based on remarks by Richard E. Bell, Assistant Secretary of Agriculture for International Affairs and Commodity Programs, before the Board of Directors, National Grain Trade Council, Scottsdale, Ariz., May 12, 1976.

World Potato Producers Up Plantings

By FRANKLIN E. HOKANA
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WORLD potato production in 1975 dropped sharply—particularly in Europe—causing U.S. exports of fresh potatoes and products to boom during the first 6 months (October-March) of the current marketing year, despite phytosanitary regulations and varietal preferences restricting U.S. exports to the European Community.

Potato planting intentions is selected producing areas this year suggest a 1976 harvest moderately larger — weather permitting — than last year's 230-million-ton crop.

However, whether the anticipated 1976 harvest reflects a reversal of the 1975 drought-stricken crop in most of Europe remains to be seen.

World potato production in selected countries during 1975 slid 5 percent below 1974 levels. Estimated potato area under cultivation in these countries during 1975 was about 16 million hectares—2 percent less than in the previous year.

In the United States, grower intentions on April 1, 1976, indicated planting area would increase 5 percent for all seasonal groups. Planted area in the spring-harvest states was up 17 percent from that of 1975. Canadian growers are planning a 1 percent increase in 1976.

Thus the downtrend in total planted area in selected countries of Western Europe may not continue in 1976 (see chart).

Present planting indications for West Germany are for 35,000 hectares of early potatoes and 378,000 hectares of others. This area represents only a small decrease from the 1975 area, but it is 12 percent less than the 1974 area.

Scarcity of seed potatoes is partly responsible for reduced acreage. Assuming normal yields, based on the past 5 years, production is estimated at 11,800 tons, up 9 percent from last year's. Slight frost damage to early potatoes not under plastic covering and below-normal rainfall have been noted.

In the Netherlands, potato acreage for 1976 is forecast at 161,000 hectares, 7 percent more than in 1975. Production for 1976 is currently estimated to be about 15 percent above that of last year. Cold weather and a prolonged spring drought lowered prospective production of early potatoes. A limited supply situation is expected to continue through June.

In the United Kingdom, potato area is currently expected to decline by 7 percent. This is in part due to a shortage of good quality seed. However, if yields are normal, production is estimated at 26 percent above the 1975 level but 16 percent less than in 1974. Shortage of seed was reported and although seed beds were good, dry conditions could become a problem.

Italy's 1976 early-potato crop produced 420,000 tons grown on 26,400 hectares. Total production is now forecast at 5 percent more than in 1975, with total acreage unchanged.

The 1976 Belgium-Luxembourg potato crop using average yields is forecast to be 12 percent greater than 1975's, with increased acreage for all classes.

Norway's 1976 potato plantings are estimated at 27,000 hectares, 8 percent more than those of last year. Production based on average yields is estimated at 670,000 tons, 50 percent more than a year earlier.

Although 1976 acreage estimates for Sweden, France, and Denmark were not available, Sweden's potato acreage will be at least as large as 1975's and with normal growing conditions production in 1976 is expected to meet the country's needs.

Harvesting potatoes in southern Italy.

However, the late spring delayed plantings, and early potatoes may not be available until late June. The Swedish Government cancelled the subsidy paid on imported potatoes. In France, expectations are for increased acreage and production. Seed potato acreage for 1976 at 9,761 hectares is 8 percent more than in 1975.

Trade sources in Denmark estimate plantings—now about complete—will

POTATOES: AREA AND PERCENT CHANGE, SELECTED COUNTRIES, 1975/76

Country	1975	Indicated 1976	1976 as % of 1975
	1,000 hectares	*1,000 hectares*	*Percent*[1]
North America			
Canada	106	107	101
United States	525	549	105
Total	631	656	104
Europe			
Belgium-Luxembourg	45	49	109
Germany, West	415	413	99
Italy	178	178	100
Netherlands	151	161	107
Norway	25	27	108
United Kingdom	204	190	93
Total	1,018	1,018	100
Grand total	1,649	1,674	102

[1] May differ from reported entries because of rounding.

roughly equal the 31,000 hectares planted in 1975. Early growing conditions have been about normal, and if average yields are realized production could reach 860,000 tons—30 percent more than 1975.

Production on the North American Continent was 8 percent less than in 1974.

The 1975 potato crop in selected countries of Western Europe totaled 44.8 million tons, 18 percent below the 1975 production level and 16 percent smaller than the 1973 crop—a result of decreased area and reduced yields. The total area under cultivation in 1975—2.1 million hectares—was down 5 percent from that of the preceding year.

Unfavorable weather affected the 1975 West European potato crop in nearly every stage of development from planting to harvesting. Some plantings were delayed by rain followed by late frosts, but an even more devastating situation was a prolonged drought that limited plant growth and tuber development.

In the European Community (EC), 1975 production is now estimated at 33.3 million tons, 19 percent less than that of 1974. The United Kingdom and West Germany experienced production declines of 33 and 25 percent, respectively, from 1974 levels.

Other major producing countries in Western Europe showing decreases from 1974 levels were the Netherlands, France, and Spain—down 10, 9, and 7 percent, respectively. Italy's 1975 potato crop was estimated to be 5 percent greater than that of the previous year.

The largest EC producer of potatoes, West Germany, harvested a 1975 crop of 10.9 million tons, a new low for this nation. Adverse weather during the growing season seriously reduced the supplies of edible potatoes required by prevailing marketing standards.

High prices throughout Europe have led German consumers to look for substitutes, such as rice, pasta products, and processed potato products. The EC import duty suspension and a German import tender had little effect on the tight market situation. The import tender, open from November 1975 to February 10, 1976, specified yellow flesh potatoes.

Early potatoes from Egypt, Malta, Morocco, and Tunisia were expected with additional supplies later in the season from Italy and Greece.

THE 1975 potato crop in the United Kingdom was considered a disaster. Planted area decreased 5 percent from that of 1974, and the long, hot dry spell during the growing season reduced yields by 27 percent.

As a result, the U.K. Government lifted most controls—except those on plant health grounds—on imports of main-crop potatoes and banned exports except for seed potatoes.

However, supplies of suitable imported potatoes were virtually nonexistent and the only contribution to supplies was from imported potato products (some of them—dehydrated potatoes, flakes, and granules—from the United States). Potato prices at retail for February 1975 were 2.5 pence per pound; a year later prices had jumped to 12 pence per pound.

Although it is a principal exporter of potatoes in the West European market, the Netherlands produced 10 percent fewer potatoes in 1975 than in 1974. Wholesale prices of unbagged, ex-production-area potatoes are about five times higher than last year's.

Fresh potato imports from the United States into the Netherlands are considered unlikely by the Dutch Products Board because of varietal preferences and plant health issues. The Board expected that if U.S. fresh potatoes were imported, they would be limited to processing utilization.

Estimates for 1975 potato production in Eastern Europe indicate a drop of 14 percent from 1974 output levels. East Germany, with a decline of 39 percent from the previous year's crop had the largest loss. Area under cultivation declined by 4 percent in Eastern Europe.

The 1975 potato crop in the Soviet Union was 9 percent larger than the poor crop of 1974. The USSR's potato growing areas did not suffer from dry weather as did most of the other Soviet growing regions.

European processors late in 1975 began to express concern that supplies were too short to fill demand for manufactured potato products and for processing. On January 20, 1976, the European Community (EC) Council suspended the tariff on fresh, new (early), and ware (table) potatoes and potato seed until March 28, 1976. This action was extended for new potatoes until May 31 and for ware potatoes until June 30, 1976.

These extensions were made in recognition of the serious shortage of potatoes in Western Europe. In addition, a tax on EC exports of noncertified seed and ware potatoes to nonmember countries was put into effect for the period February 20-June 30. No action has been taken since to remove the tariff on processed potatoes. The tariff suspension on seed potatoes ended March 28, 1976.

Historically, the EC is self-sufficient in production of potatoes, with individual changes in production normally offset by other member countries. The EC is a large exporter of seed potatoes, usually 150,000-190,000 tons annually, mostly to the Maghreb and East European countries.

Most imports of ware potatoes into the EC are from Poland, Austria, and Switzerland. The EC is a net importer of new potatoes from Maghreb countries, the Canary Islands, Cyprus, Egypt, and Spain. Italy is the only country in the EC exporting early potatoes—generally 150,000-190,000 tons annually, mostly to Germany. The early crop in Italy in 1976 was 420,000 tons.

The Netherlands is the largest EC potato exporter, averaging nearly 1 million tons to other EC countries and about 250,000 tons to nonmember nations. France, the second largest, exports about 450,000 tons annually. West Germany imports about 1 million tons

Continued on page 13

Grapefruit growing in Morocco, where bad weather has cut citrus production and exports for the past 2 years.

Moroccan Citrus Output Dips, Export Markets Shifting

By FRANK J. PIASON
Assistant U.S. Agricultural Attaché[1]
Rome

THE UNITED STATES recently has encountered reduced competition from Morocco in foreign citrus markets—a development that shows no signs of reversal in the short term. Not only has bad weather reduced Moroccan citrus production and exports during the past 2 years, but Morocco's major market also has shifted temporarily from the European Community to the Soviet Union.

Morocco produced 602,000 metric tons of citrus in 1974/75, 28 percent less than in the previous year and 40 percent below the 1972/73 crop. Exports fell 18 percent in 1974/75 to 483,000 tons.

Most of the decline in exports was registered in shipments to the EC, which dropped 33.4 percent to 244,200 tons in 1974/75. The Soviet Union had become Morocco's leading market for citrus in 1972/73, and it retained that position in 1974/75 as Soviet purchases rose 25 percent to 201,000 tons.

The United States, aided by the drop-off in Moroccan shipments, increased its citrus exports to the EC by 73 percent in 1974/75, with total sales of 223,475 tons. U.S. citrus growers are optimistic that they will duplicate that level of exports this year.

Morocco's 1974/75 citrus crop, the worst in a decade, was battered by bad weather. Cold spring temperatures hindered blossoming, and heavy showers washed pollen away from open flowers. Hot desert winds during May and June caused considerable fruit dropping, and the overall dryness of the season reduced fruit size despite the irrigation of almost the entire commercial citrus crop.

The production decline and resulting scarcity of domestic citrus supplies boosted 1974/75 grower prices. Overall orange prices jumped from 150 dirhams[2] per metric ton in 1973/74 to 300 dirhams, and the price paid for clementines—a variety of tangerine—increased from 200 dirhams to 300 dirhams in 1974/75.

Despite those gains, producers have asked the Moroccan Government for a guaranteed minimum price for citrus. The Citrus Growers Association (ASPAM) pointed to the rising costs of production and requested a support policy that would be in line with past price programs for cereals, sugarbeets, and sunflowerseed.

The Government decided not to grant the minimum price guarantee, saying that citrus is less vital than cereals, sugarbeets, or sunflowerseed, and that such a program was not financially feasible.

ASPAM has complained that a Government promise to grant 45 million dirhams in subsidies for the uprooting and grafting of citrus varieties that are being phased out has not yet been fulfilled.

Moroccan citrus production may recover somewhat this year. Early estimates place 1975/76 output at 721,000 tons—a 20 percent gain, but still far below the 1972/73 peak of over a million tons.

Hot weather in July and August 1975 caused some damage to blossoms, especially clementines. Scorching winds particularly affected some regions, but not to the extent of the previous year. Orange trees have reportedly held up well and, despite the second dry year in a row, production of all varieties is forecast to increase 15-20 percent.

Over the long term, it is clear now that Morocco's 5-year plan to reach a citrus production level of 1.3 million tons by 1985 will not be realized. The shift to plantings of exportable varieties, while seriously underway, is taking longer than had been expected. And inadequate price incentives are expected to further slow the rate of increase.

THE SHIFT in resources from citrus also has been encouraged by Government stress on deficit crops like cereals and sugarbeets in an attempt to save on scarce foreign exchange. In 1975, heavy imports of wheat, sugar, and vegetable oils contributed to a $675 million, f.o.b., deficit in the nation's trade balance.

Production of juices and concentrates, which totaled 40,000-50,000 tons in 1974/75, has also suffered setbacks and is not now likely to reach the 5-year plan goal of 155,000 tons per year. Sixty percent of the 1974/75 ouput was in the form of concentrates, and the remainder, bottled and canned juices.

According to the processors association (FICOPAM), 75,000 tons of citrus were processed in 1974/75, down sharply from the 117,000-ton total of the previous year. Four-fifths of this amount was oranges, and most of the remainder, grapefruit. The prices processors paid to orange growers in 1974/

[1] **The author was Acting U.S. Agricultural Attache in Rabat at the time the article was written.**

[2] **4.1 dirhams=US$1.00.**

75 varied from 180 dirhams per ton for Fine Sanguines to 350 dirhams for Sanguinellis and Washington Sanguines. Prices generally rose because of a smaller supply of citrus culled from packing plants.

To support the juice industry, the export marketing monopoly (OCE) currently pays producers 40 dirhams per ton, which helps processors buy citrus at domestic prices averaging 200 dirhams per ton.

Morocco's new variety conversion policy has resulted in the elimination of the seed citrus that is used to feed the juice plants. Some processors are now advocating the planting of orange orchards expressly for industrial purposes —as is being done in Brazil—and are encouraging expanded grower-processor integration.

Citrus is Morocco's leading agricultural export and trails only phosphates among all Moroccan exports. Morocco sold $90 million worth of citrus in 1974—5 percent of total export value for that year.

All varieties were affected by the 18-percent decline in citrus exports in 1974/75. Oranges were down 12 percent; clementines, 35 percent; grapefruit, 6 percent; and lemons, 7 percent.

The Soviet Union was Morocco's leading market for oranges for the second straight year, taking nearly 200,000 tons in 1974/75. The exports were reportedly part of a barter deal in which Morocco exchanged oranges for Soviet oil.

Agreements signed late in 1975 call for the Soviets to sell Morocco 650,000 tons of petroleum this year—about a third of its annual requirement—while the Moroccans will send 220,000 tons of oranges to the Soviet Union.

France purchased 81,000 tons of Moroccan oranges in 1974/75, and West Germany, 62,000, with smaller quantities going elsewhere in the EC and to some African countries.

Because of the rising costs and resulting profit squeeze encountered by growers, the OCE agreed to levy only 0.8 percent duties on citrus exported in 1974/75 instead of the usual 3.2 percent. Clementines, which had previously been taxed 0.1 dirhams per kilogram, were exempted from duty.

Morocco's share of the European citrus market, according to the OCE, is presently 20-25 percent for clementines and about 15 percent for oranges. The OCE reports that competition from Spain and Israel, particularly for the French market, is limiting Moroccan exports to the EC. In the context of the renegotiations of the EC-Moroccan Association Agreement, Morocco continues to hold out for the margin of preferential access it has enjoyed for the past 6 years.

IN SPITE of its promotional efforts, Morocco's exports to Western Hemisphere markets have been fairly insignificant to date.

Prices paid to growers for exported citrus in 1974/75 were reported by ASPAM to have averaged 1,000 dirhams per metric ton of clementines, 420 for navels, 350 for Washington Sanguines, and 520 for Lates.

The slight recovery predicted for citrus output in 1975/76 should boost exports somewhat. The OCE forecasts that orange exports will rise 13 percent, and those of clementines, 3 percent but that shipments of lemons and grapefruit will remain low.

The OCE hopes to expand exports to 720,000 tons by 1980, of which Maroc Lates would account for 300,000 tons; clementines, 200,000; navels, 150,000; Washington Sanguines, 60,000; and Salustianas, 10,000. The OCE is focusing particularly on clementines, urging an all-out effort to boost production so that exports reach 280,000 tons by 1985. OCE leaders foresee great opportunities in Europe for all oranges and encourage promotion of quality lemon production for export.

The OCE plans several measures to expand exports. Up to now, 97 percent of shipments have been made under foreign flag, and freight costs have tripled in recent years. The OCE aims at transporting 60 percent of citrus exports through Moroccan freighters, nearly twice the percentage of citrus production that is expected to be shipped under Moroccan flag next season. Furthermore, the new Port of Nador on the Mediterranean will facilitate direct shipment of citrus fruit from Lower Moulouya (Berkane) and Eastern Morocco (Oujda) eliminating the transit via Casablanca that was necessary earlier.

The OCE's overall export program also calls for increased use of pallets for export (from 60 percent of total exports in 1974/75 to 100 percent by 1976/77). The OCE has also expanded cold storage capacity for citrus to 40,000 tons, enabling it to regulate exports according to the foreign market situation.

The Moroccan Government is emphasizing marketing, which is presently considered the principal problem of the citrus industry. The producers association, ASPAM works closely with the official export organization OCE in determining marketing policy. They have decided the least desirable varieties of oranges—Wilkings, Monreals, and Fines—will gradually be banned from export.

The outlook for juice exports over the next few years is felt to be dim because decreased domestic supplies are foreseen.

MOROCCO'S FRESH CITRUS PRODUCTION
[In 1,000 metric tons]

Crop year	Oranges					Clementines	Grapefruit	Lemons	Grand total
	Navel	Late	Sanguine	Others	Total				
1972-73 ..	171	399	112	55	737	251	17	8	1,013
1973-74 ..	150	330	109	40	629	190	17	3	839
1974-75 ..	135	254	70	18	477	106	[1]16	3	602
1975-76[2] ..	153	306	76	31	566	135	18	2	721

[1] Preliminary. [2] Forecast.
ASPAM.

MOROCCO'S FRESH CITRUS EXPORTS
[In 1,000 metric tons]

Crop year	Oranges					Clementines	Grapefruit	Lemons	Grand total
	Navel	Late	Sanguine	Others	Total				
1973-74 ..	98	251	81	21	451	133	([1])	1	586
1974-75 ..	110	214	57	14	396	87	1	([1])	483
1975-76[2] ..	130	260	50	6	446	90	1	([1])	537

[1] Less than 500 metric tons. [2] Forecast.
OCE/ASPAM.

Wants long-term contracts

France Boosts Sugar Output, Seeks Larger Non-EC Sales

By BRUNO JULIEN
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Paris

Above: Self-service sugar section in a French store. Left: Harvesting sugarbeets in France. Between 1953/54 and 1972/73, French sugar consumption grew by about 880,000 metric tons. The French sugar industry is expanding its capacity to meet domestic and export needs.

FRANCE, ALREADY ONE of the leading suppliers of refined sugar to the European Community and a less important source for some third countries, is trying to get EC and Government permission to sign long-term delivery contracts with non-EC countries. The sugar industry has improved refining facilities and increased production capacity and should easily be able to supply domestic needs, as well as substantial quantities for the Community and third-country markets.

A recently reported agreement between the EC and Egypt is expected to provide a basis for other agreements in coming years.

France's sugar processing capacity is expected to reach 4 million tons (refined basis) in 1976—up from 3 million tons in 1973—and actual production of 4 million tons by 1980. Domestic sugar sales currently total around 2 million tons per year—including 250,000 tons of cane sugar imported from overseas Departments and mostly consumed in France. Total exports have averaged 1.2 million tons a year between 1970/71 and 1973/74, but dropped to about 900,000 tons in 1974/75 because of a falloff in beet production.

Exports in 1975/76 are forecast at 1.65 million tons, consisting of about 85,000 tons of sugar in processed products and 1.56 million tons of refined sugar.

By 1980, the French industry could export around 2 million tons of sugar a year to its EC partners and third country markets.

French sugar exports to other EC countries in recent years ranged from a low of 422,000 tons in 1971/72 to a high of 539,000 tons in 1973/74 for an annual average of 493,000 tons between the 1970/71 and 1973/74 campaigns. The range in shipments to third countries was from a low of 486,000 tons in 1970/71 to a high of 953,000 tons in 1972/73, for an annual average of 756,000 tons between the 1970/71 and 1973/74 campaigns. The preeminence of the Community as a market was shown vividly in 1974/75 when—despite the poor beet crop—French sugar shipments to other EC countries jumped to a new record of 890,000 tons—up from 539,000 tons the previous campaign. Shipments to third countries dropped from 665,000 tons in 1973/74 to just 40,000 tons a year later.

Major markets for French sugar in 1974, with exports in metric tons, were: Italy, 310,868; the United Kingdom, 140,873; Switzerland, 110,652; West Germany, 51,091; Spain, 34,300; Algeria, 33,663; the Ivory Coast, 31,421; Ghana, 31,249; Nigeria, 27,540; and Israel, 24,828.

There has been a growing trend in recent years in the French sugar industry toward larger sized refineries. Smaller, inefficient mills are being closed—particularly those having a daily input capacity of less than 1,000 tons of beets—and the more efficient small plants are being merged into larger units. New construction tends to take advantage of economies of size as most refineries built in the recent past have been larger than those erected earlier.

At present there are 71 sugar factories in France—21 fewer than in 1964—including a plant built in 1975 that, with its daily processing capacity of 14,000 tons, is said to be Europe's largest. These are located mostly in the country's northernmost Departments: 26 in Picardie, 12 in Pas-de-Calais on the English Channel, 11 in the Paris area, and 7 in the Champagne region. The others are scattered throughout the country. The movement toward fewer, larger plants will continue in coming years and the total is expected to drop to 67 in 1976.

During the 1973/74 campaign, three of the 71 mills produced over 100,000 tons of sugar, 13 between 50,000 and

100,000 tons, and the rest over 10,000 tons each, Forty-five percent of the country's beet sugar output was by two companies. Beghin-Say, with 14 factories, produced 850,000 tons of refined sugar, and Generale Sucrière, with 8 plants, 450,000 tons.

Despite the cut in the number of processing plants, beet sugar production increased by 55 percent between 1964/65 and 1973/74—from 1.87 million tons to 3.15 million. Output was lower in 1974/75 because of adverse weather conditions, and in 1975/76 is estimated at 3.2 million tons. Most processors think that sugar production will continue to rise in coming years.

Between 1964/65 and 1973/74, theoretical daily processing capacity increased by one-third—from 220,000 tons to 300,000 tons. Twelve French mills plan to double daily processing capacity in 1976/77 over that of 1974/75. This implies a 30 percent increase in daily beet input capacity to 338,000 tons and a year-round output capacity of 4 million tons of refined sugar for the French beet sugar industry.

Volumes of sugarbeets used by the French sugar industry have been on a steady uptrend since 1967/68, rising from 11.5 million tons from 289,000 hectares to an estimated 23.5 million tons from 595,000 hectares in 1975/76. Originally 1975/76 sugar outturn from this hectarage was estimated to be around 3.6 million tons, but because of adverse weather beet yield was poor—around 40 tons per hectare—and the 1975/76 sugar production estimate was slashed by 400,000 tons.

Sugarbeet production has traditionally been located in northern France, where soil and climate are most favorable. The recent expansion in production has taken place mostly in the northeast—particularly in the Champagne area where area has doubled, and in Picardie, with a 50-percent area increase. Output in the Paris Basin has been relatively stable.

Total beet sales in 1974 amounted to $548.6 million, representing 5 percent of the total value of all crops, and 2.2 percent of the value of all French agricultural production. The increase in sales value of sugarbeets is greater than that of acreage because sugarbeets are produced as a second crop on some of France's best cereal lands.

Just as sugarbeet refineries are getting larger, so too are sugarbeet plantings. While the number of growers has fallen by 15,000 to 65,000 in 1975, and the average sugarbeet area is only 8.8 hectares, most of the output comes from big, open fields in the Paris Basin where mechanized seeding, weed control, fertilizer spreading, and harvesting are common. These improvements have not only caused an increase in yields from 28 tons per hectare in 1952/53 to an average of 44 tons per hectare for the past 5 years but also a big reduction in manpower requirements.

Between 1953/54 and 1974-75, annual sugar consumption on the domestic market (including home and commercial uses) has steadily risen from 1.1 million tons to 1.98 million. Apparent per capita sugar consumption has also increased at a rate of about 2 percent a year—from 25.6 kilograms in 1953/54 to 27.4 kilograms in 1972/73. Sugar sales are climbing in response to a population growth rate of about 0.9 percent a year and large sales of ready-to-serve food products and sugared drinks, resulting from the increase in the number of chainstore outlets.

For the first 5 months of 1975/76 season, domestic sales amounted to 784,000, tons, compared with 820,000 tons for the same period of the previous season.

World Potato Plantings *Continued from page 9*

(seed, main crop, and industrial potatoes)—chiefly from Maghreb countries.

Italy imports about 400,000 tons of seed and main-crop potatoes and exports 200,000-250,000 tons of early potatoes. Most EC countries have now taken measures to ensure regular market supplies and a degree of stability in potato prices.

Current phytosanitary regulations and varietal preferences restrict the flow of U.S. exports to the EC. No EC legislation has yet been effected to harmonize quality standards within the Community. Thus, the setting of health standards remains in the hands of the individual member countries.

Exports of fresh potatoes and potato products by the United States rose dramatically during the first 6 months (October-March) of the current marketing year. U.S. exports of fresh potatoes totaled 3.5 million hundredweight (cwt)—more than four times the quantity exported during the same period a year earlier.

Canada was by far the largest market for these U.S. exports, accounting for 1.4 milion cwt of the total. According to U.S. Census Bureau data, Sweden and Portugal have been the largest recipients of U.S. fresh potatoes in Western Europe.

For the 1974/75 marketing year (October-September), U.S. exports of 4.0 million cwt of fresh potatoes were down 30 percent from the amount shipped in the comparable period the preceding year. The amount exported during the 1974/75 marketing year represented only 1.2 percent of total U.S. production in 1974 (342 million cwt). Canada accounted for 3.6 million cwt or nearly 90 percent of the 4.0 million cwt exported in 1974/75.

Potato flakes and granules exported from the United States during the 6-month period October 1975-March 1976 totaled 46.5 million pounds, nearly six times the volume exported during the comparable period of 1974/75. U.S. exports to the United Kingdom were 32 million pounds or 68 percent of the 1975/76 6-month total.

The 28.8 million pounds of flakes and granules exported from the United States in calendar 1975 were 42 percent more than were shipped in 1974. The largest destination in 1975 was the United Kingdom, with 12.5 million pounds. The large increase in processed potato exports is a direct reflection of the lower U.K. crop.

Other dehydrated potato exports from October 1975 through March 1976 totaled 10.9 million pounds and were almost five times the volume for the same period a year earlier.

Other dehydrated potatoes exported from the United States during calendar 1975 totaled 6.9 million pounds, 11 percent less than in 1974 but 2.3 million pounds more than in 1973. The United Kingdom made the most impressive gain in 1975, accounting for 2.1 million pounds of the United States exports.

U.S. imports of table potatoes during the 6-month period ending March 31, 1976, at 171,000 cwt were only 27 percent of the 623,000 cwt imported during the same period a year earlier.

For the marketing year ending September 30, 1975, the United States imported 997,000 cwt of table potatoes, down 5 percent from arrivals in the comparable period in 1973/74.

Iran's Tobacco Crop and Imports To Rise in 1976

Iran's tobacco production is expected to increase substantially this year owing to higher producer prices and continued production aids and incentives. Despite this, imports of tobacco products such as filtered cigarettes and American brands also will increase to keep pace with the demand of Iran's increasingly affluent and urbanized society.

The outlook for Iran's 1976/77 tobacco crop is encouraging at this time, since the weather has been favorable, producers apparently are satisfied with tobacco prices, and numerous aids and incentives have been offered by the Iranian Tobacco Company (ITC). The ITC is thus hoping for an 80 percent increase in tobacco production to 27,000 tons, of which 19,000 tons will be cigarette tobacco. However, a smaller increase of around 35 percent seems more likely.

The 1975/76 tobacco production figure of 15,000 tons was two-thirds under ITC estimates, owing to dry weather conditions that reduced acreage and yield. Also, price increases in 1975/76, the first in 12 years, were announced too late to encourage greater area and production.

Unless this year's tobacco production figures are realized, Iran will require significant imports of tobacco to sustain current cigarette manufacture. U.S. exporting firms have already contacted the ITC regarding possible American tobacco sales. Price and convenience will figure importantly in Iran's choice of supplier.

Since 1975, Iran has imported approximately 100 tons of blended tobacco strips per month from the United States to use in the local manufacture of American-brand cigarettes. Three times that amount will be needed eventually. In 1975/76 imports of cigarettes and tobacco strips totaled nearly $50 million. The ITC imported some 4 million cigarettes, almost 98 percent of which came from the United States.

As a tobacco exporter, Iran's role is relatively small, and because of inadequate supply Iran exported only $420,000 worth of cigarettes and tombac tobacco in 1975/76.

Over 60 percent of Iran's tobacco manufacture goes into cigarette production, with the remainder split between preparations for clay and water pipe smoking. Most of the 12,000 tons of cigarette tobacco produced in 1975 was oriental and semioriental leaf. Of this total, only 3,000 tons were Virginia flue-cured, and 10-15 tons, burley leaf.

Iran's cigarette consumption, particularly of U.S. brands and locally produced filtered brands, is increasing significantly as the country becomes more cosmopolitan. The consumption of tombac and clay pipe tobacco, along with that of domestic nonfiltered cigarettes, is also expanding but not as fast.

Looking ahead, demand for tobacco products in Iran is expected to continue to rise. Despite plans for increased imports of U.S. leaf for local cigarette production, Iran's imports of U.S. and U.K. cigarettes will also be sizable.

Although the ITC is making a significant effort to increase production through improved extension services, loan programs, and increased grower prices, tobacco remains a small farm crop facing stiff competition for land and labor from more profitable crops.

—Based on a report from
U.S. Agricultural Attaché, Tehran

U.K.-EC Farm Policy Ties

Continued from page 4

strong currencies. As a result, the "green pound"—the formalized currency unit by which British farm prices are translated from the EC unit of account into sterling—was increasingly overvalued in relation to the commercial value of the pound.

For CAP commodities, this has meant, that British farmers have been earning prices lower than they otherwise would have received if the green pound had reflected sterling's true value. In 1975, under pressure from both U.K. farmers and the remainder of the Community, Britain was obliged to devalue the green pound twice but never by enough to aline it with sterling's exchange value.

The U.K. consumer, on the other hand, has benefitted from the downward distortion of the CAP prices for U.K.-produced commodities and imported foods. These prices also have been cut by "accession compensatory amounts" as part of the transition process.

In addition, monetary compensatory amounts (MCA's)—border levies or refunds—have been applicable on a number of commodities in order to make up for disparities in exchange rates. The MCA's have served as an added subsidy on some U.K. imports.

Such was the background to Britain's position as it considered the EC's farm prices review: A generally weak bargaining position, a considerable political stake in retaining CAP concessions won during "renegotiation," pressure to devalue the green pound yet again, and the worst inflation rate in the Community with food prices in particular a burning political issue at home.

—Based on report from
Office of U.S. Agricultural Attaché London

Farm Programs in Britain

Continued from page 6

deterioration in farmers' incomes, which last year were down 14 percent from 2 years earlier.

On the positive side, the prospective rise in farmers' earnings and income has reversed the recent pessimism about prospects for British agriculture. This has been further aided by a good agricultural season so far in 1976.

The past winter was one of the best in memory from the point of view of weather. Following last year's early harvest, the right amount of late summer rainfall meant that autumn cultivation and sowings took place in near ideal conditions. For example, a record area of winter wheat had already been sown by early December.

Fears of a fodder shortage were removed by continuing mild weather until late January, and there was an unexpected but welcome recovery in milk yields and production. Most other livestock also came through the winter in very satisfactory conditions.

Cold spells since the end of January were severe enough to help check pests and diseases and break up the soil without lasting long enough to create other problems. Ideal weather up to the early spring raised hopes for record crops and good returns from the livestock sector in 1976/77, but continuing dry weather, the worst long-term drought in over 100 years, now poses a threat to crop yields and ground water supplies.

—Based on material from
Office of U.S. Agricultural Attaché, London

U.S. Cattle Sell by Hundreds at Central America's EXPICA '76 Show

An undetermined number of U.S. Brown Swiss and Holstein cattle—but well in excess of 200 head—plus several hundred ampules of semen and some sheep and goats, were sold at EXPICA '76, the 15th Central American Livestock Show in San Salvador, El Salvador, May 3-10. Representatives of U.S. breeding associations and several individual breeders, operating from an FAS-sponsored booth at the fairground, made the sales.

Breeders from Costa Rica, Nicaragua, Guatemala, and Panama entered 310 head of cattle in the regional show; El Salvador, 442 head. This is the first time El Salvador's entries exceeded the total number from all other Central American countries. Nearly all of the entrants were of U.S. origin, although a few were offspring of crosses between U.S.-origin cattle and local breeds.

Left: Brahman judging at EXPICA '76, Central America's most important cattle show. Several hundred U.S. cattle were sold at the event, in addition to American cattle semen, sheep, and goats.

During the first 2 days of the event, U.S. specialists hired by EXPICA'S management, gave instruction on replacement and showing, feeding, fitting, and management of cattle.

Obie Snider, a director of the Holstein-Friesian Association of America, judged the Brown Swiss and Holstein entries, and Randall D. Grooms of Texas A&M judged the Brahman classes. The latter event was the show's largest as up to 409 head of Brahman cattle were entered in most of the various judging categories.

Paul Dirkson, a Brown Swiss breeder from Kenton, Ohio, who has been exporting U.S. cattle to El Salvador, Peru, Venezuela, Mexico, the Dominican Republic, and Italy over the past 18 years, exported the Grand Champion Bull, Dam of the Grand Champion Cow, as well as several others. His animals also included Senior Champion Holstein and Grand Champion Holstein Female.

EXPICA is the largest and most important cattle show held in Central America, and rotates from country to country. Last year it was held in Costa Rica and is scheduled to be held in Nicaragua in 1977.

FAS Sponsors Far East Trade Events

The visit of an FAS-sponsored sales team to Indonesia in April and a processed food show in Singapore in May, resulted in sizable sales of U.S. food products.

The five-man team was in Djakarta, Indonesia, April 26-28, holding individual meetings with many local buyers to discuss their requirements. These contacts resulted in actual sales of 10-12 containers of U.S. food products valued at $200,000, with projected sales expected to reach $750,000 during the next 12 months.

One hundred and twenty key trade visitors examined the U.S. food items placed on display at a local Djakarta hotel. More than 50 personal meetings were held between U.S. food industry representatives and local buyers. Two agent/distributor arrangements were signed and one franchise contract was still being negotiated in the last minutes of the team's 3-day visit.

The Singapore food exhibit was held May 4-7 at the Marco Polo Hotel. Reports from most of the 60 U.S. firms that participated indicate that sales were better than had been expected.

Exhibitors noted that a total of 22 on-floor orders were taken, valued at $429,000, and sales for the next 6 months are expected to exceed $7 million. In addition, 70 agency agreements were, or are expected to be, signed and one joint venture was firmed up to manufacture food products from U.S. ingredients.

Singapore food buyers were especially interested in poultry items that will probably account for a large share of the projected sales. The presence at the food show of three U.S. poultry shippers and the participation through the Poultry and Egg Institute of America of about six more was particularly timely since local market conditions currently favor U.S. poultry products over European. New to the Singapore market were the further-processed products that also attracted the trade's attention—an interest that will probably be reflected soon in greater U.S. sales of these items.

John S. DeCourcy (back to camera) and trade members discuss poultry sale possibilities at the Singapore show.

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Implications for the United States of Soviet 5-Year Plan

Continued from page 7

in 1975. Furthermore, broiler and layer numbers can be quickly rebuilt when decisions are made to do so.

But the short feed-supply situation did have an adverse impact on milk production in 1975. Milk production was down despite milk cow numbers being maintained.

The 1975 feed shortage and distress slaughtering program undoubtedly had their greatest impact on hogs. Pork production in 1975 was up 9 percent and hog numbers at the beginning of 1976 were down substantially from those of a year earlier.

Hog numbers in the USSR at the beginning of 1976 were estimated by Soviet authorities at 57.8 million head, down 14.5 million head, or 20 percent less than the number at the beginning of 1975. But compared with earlier drought years, the Soviets did fairly well in maintaining hog numbers despite the severity of the shortfall in Soviet 1975 grain production. In the drought year of 1963, the Soviets were forced to cut their hog numbers by 29 million head.

Perhaps more important, the Soviets apparently have managed to keep their sow herd intact. The number of sows on Soviet farms at the beginning of 1976 were only slightly lower than a year earlier. Hog production could be increased rather quickly, if a decision were made to do so.

The new draft plan for 1976-80 has more modest goals for livestock production than the 1971-75 plan. There appears to be an effort to bring livestock production plans more in line with potential Soviet grain production. Compared with the 1971-75 period, the Soviets plan to boost meat production by 7 to 11 percent during 1976-80, eggs by 13 to 18 percent, and milk by 7 to 10 percent. They plan to increase grain production by 18 to 21 percent, a substantially larger increase.

Although the planned rises in meat and egg production are only about half those attained during the past 5 years, there still is strong emphasis on livestock in the 1976-80 plan. But it is important to remember that the increase in 1976-80 will be from the new bases established during the exceptional years of 1971-75.

Furthermore, there is great emphasis on livestock in the investment section of the new plan. For example, investment in livestock equipment during 1976-80 is planned at 54 percent more than in the past 5 years, whereas overall investment in agriculture is up by only 31 percent. There is also great emphasis on increasing mixed feed production as well as expanding grain storage facilities during the 1976-80 period.

The Soviets hope to average output of 215-220 million tons of grain a year during the 1976-80 period. This is an ambitious goal and will be difficult to attain.

There already are indications that this year's Soviet grain crop may be in trouble. Apparently, the survival rate of the winter wheat crop in the USSR is much below normal. This is not due so much to winterkill as to poor conditions at time of seeding.

Some analysts have said the Soviet grain goal is attainable if weather conditions are normal during the planting period. However, weather is never normal, particularly in the Soviet Union. To date, the Soviets have harvested only one crop in excess of 200 million tons—the record 222 million tons harvested in 1973. It is doubtful, therefore, that the Soviets can produce an average of 215-220 million tons of grain annually during the next 5 years.

The 215-220-million-ton goal is probably more meaningful as an indication of grain consumption needs during 1976-80 than it is for likely production. If weather conditions are more nearly normal during the coming years than during the past 5 years, and the Soviets manage an average annual production of 200-210 million tons, they will still need to import about 10-15 million tons of grain per year during 1976-80—or about the same as in the past 5 years. If they do not import this quantity, they probably cannot meet their livestock goals.

The Soviet Union has an announced policy aimed at upgrading diets of the Soviet people. It would be difficult to retreat from these goals. Scientists at the Institute of Nutrition at the Soviet Academy of Sciences have established consumption norms for various foods. These are indications of ultimate goals in Soviet per capita food consumption. In 1975, per capita consumption of milk and milk products reached 78 percent of norm; per capita egg consumption was 74 percent; and per capita consumption of meat was only 70 percent.

It is apparent that the Soviet Union has some distance to go before achieving desired per capita consumption levels. Achievement of livestock production goals is essential to reaching the established consumption norms. In view of this policy direction and the situation surrounding grain production in the USSR, it is likely that the Soviet Union will remain a substantial market for U.S. grains for some years.

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